1998-1999
ANNUAL REPORT
CANADIAN GRAIN COMMISSION

The CGC ---------- 2

Highlights ---------- 6

Message from Chief Commissioner ---------- 8

Message from Chief Operating Officer ---------- 14

Achievements ---------- 21

Plans for April 1, 1999 to March 31, 2000 ------- 34

Corporate information 1998-99 ---------- 35

Financial Report ---------- 36

Quality Service Innovation

Canada

The CGC

The Canadian Grain Commission (CGC) is a federal agency reporting to the Canadian Parliament through the Minister of Agriculture and Agri-Food. The CGC derives its authority from the Canada Grain Act. We

- Regulate grain handling in Canada
- Establish and maintain standards of quality for Canadian grains

Vision

Excellence in grain quality assurance

- We will maintain unbiased third-party objectivity.
- We will do what is good for the entire grain industry.
- The quality of grains, oilseeds and pulses is the focal point of our expertise.
- Quality is anything that enhances the value of Canadian grain.
- We are a business-like government organization.
  - We will ask "Does it make sense?"
  - We will work to our strengths.
  - We will focus on clients needs.
- We will consider commercial opportunities that do not compromise or give away our (Canadian) competitive edge.

Mission

To be a leader in providing grain quality management and quantity assurance, dedicated to excellent and responsive service supporting producers, all sectors of the grain industry and their customers.

Objectives

- Provide a safe and healthy workplace environment and human resource policies which attract and motivate employees
- Offer innovative, efficient and effective services
- Contribute to the marketability of Canadian grain
- Be a major partner in ensuring the safety of Canadian grain
- Monitor and certify the quality and quantity of grain
- Excel in grain quality research
- Encourage a viable, efficient grain handling system
- Enhance the integrity of grain transactions
- Uphold producers' rights

101-02520/

Organization

The CGC is organized into the Executive, Corporate Services, Grain Research Laboratory (GRL) and Industry Services. Our head office is located in Winnipeg, Manitoba. Industry Services comprises five regions: Bayport, Eastern, Pacific, Prairie and Thunder Bay. The CGC employs approximately 700 employees.

The Executive consists of three commissioners, appointed by government, who set policy and provide leadership, and the chief operating officer who oversees operations. Assistant commissioners, also appointed by government, work closely with producers and other industry members in rural development. Assistant commissioners inform producers and the industry about the CGC's role and responsibilities and act as mediators.

The supervisor of grain futures trading oversees grain futures trading at the Winnipeg Commodity Exchange. The chair of the Grain Appeal Tribunal reports directly to the chief commissioner. The Tribunal is an independent committee appointed by the CGC. It examines appeals by those dissatisfied with the grade assigned on an official sample and makes a final decision.

Quality Service Innovation

Programs

We deliver a grain quality and quantity assurance program that results in consistent and reliable shipments of grain that meet contract specifications for quality, safety and quantity. Quality is Canada's competitive edge in the world market. Quality and quantity assurance services include

- Inspecting grain to certify quality, including all grain received at and shipped from terminals, all grain exported from transfer elevators, and submitted samples of grain from producers and the grain trade
- Certifying weights for grain exports, supervising weighing at terminals, conducting audits of terminal and transfer elevator stocks and inspecting terminal and transfer elevator scales
- Identifying and explaining the relationships between the physical and biochemical properties of grain and the end-use value of grain
- Developing fast, accurate, economical, and meaningful methods for evaluating grain quality
- Supporting the sale and market development of grains and oilseeds by giving technical advice on grain and oilseed quality and end uses, and by evaluating the quality of plant breeders' cultivars to ensure that they have the physical and quality criteria needed for registration
- Screening, monitoring and certifying grain shipments to ensure that Canadian grain is not only safe but meets strict international tolerances for toxic contaminants
- Providing information to marketers and processors of Canadian grain on the quality of commercial grain shipments and of each harvest
- Investigating and resolving complaints and inquiries related to the quality and quantity of Canadian grain
- Providing other specialized services requested by the grain industry

The CGC also regulates the grain industry to ensure the fair treatment of producers and the integrity of grain transactions and to maintain grain quality as grain is moved through marketing channels. Regulation includes

- Licensing eligible grain dealers and elevator companies
- Conducting audits of licensees' liabilities to producers
- Monitoring the financial position of licensees and obtaining security to protect producers in case of a default by a licensee
- Developing and setting grain quality standards
- Inspecting grains and grain handling facilities to ensure freedom from insect infestations
- Collecting and publishing statistics on grain handling, storage, and movement
- Administering producer cars
- Supervising grain futures trading
- Mediating producer complaints concerning grain transactions

We provide other services of value to the grain industry in Canada and abroad, such as

- Operating the Grain Inventory Accounting System and facilitating information flow on behalf of the grain trade
- Providing grain quality data
- Offering general and custom-designed grain industry training courses
- Conducting contract work, for example, repairing moisture meters and doing chemical analyses of grain

We provide services to CGC staff, such as

- Administration
- Communications
- Finance
- Information technology
- Policy development
- Library
- Health and safety

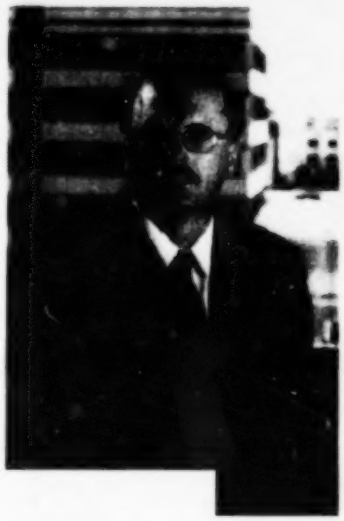
Highlights

- After an in-depth review of programs and services which involved consultations with clients, we proposed major changes in the way our services are delivered to producers and other members of the grain industry and how the CGC is to be funded in the future–Decisions will be announced in 1999–2000.
- Major computer systems and applications were made Y2K compliant.
- The barley research team in the Grain Research Laboratory organized and hosted the 1999 Canadian Barley Symposium, an event that focused on economic trends, emerging technology and the strengths and weaknesses of the barley quality system–The symposium attracted numerous researchers, producers and end-use customers.
- We formed a partnership with the Canadian Wheat Board to establish the Canadian Malting Barley Technical Centre.
- We took on the responsibility of maintaining and supporting the online grain inventory tracking system on behalf of the industry.
- Our ninth prairie service centre opened in Brandon, Manitoba.
- We carried out research which supported changes to the wheat grading system to account for midge and fusarium damage.
- We evaluated a protocol for detecting samples of genetically modified soybeans and developed random amplified polymorphic DNA primers for detection of barley varieties.
- Through the application of rapid varietal identification techniques, we helped the industry avoid varietal contamination of high quality wheat shipments .
- We established research contracts to assist in the development of new, compact near-infrared instrumentation.
- We developed an instrumental-based grading system for lentils and carried out research to demonstrate that this system might also be applied to the determination of hard vitreous kernels in wheat.

- We are contributing to the development of extra strong durum wheat and Canada Prairie Spring Red and Canada Prairie Spring White wheat varieties.
- In a study of wheat samples collected from farmers during the 1998 harvest survey, we demonstrated that protein content of Canada Western Red Spring wheat does not change significantly during storage under prairie winter conditions.
- We provided the impetus for two workshops on the quality needs of the pulse industry and initiated a research program in this area.
- The CGC web site became the primary site for the dissemination of quality bulletins.
- We revised and published a new Grain Grading Guide for the 1998–99 crop year.
- We implemented the Wheat Access Facilitation Program to advance freer North American trade of grain.
- We hired a new director for the Grain Research Laboratory and appointed new directors to Industry Services and Corporate Services.
- We kept grain flowing through the port of Vancouver and out of St. Lawrence River ports during a 67-day rotating strike by CGC grain weighers.
- We began a review of internal services.
- We continued to expand our commitment to employee health and safety.

Table of Contents

Message from the Chief Commissioner



Quality is the advantage that Canadian grain has in world markets. Canadian grain is known worldwide for its consistency, safety and cleanliness, and its reliability in processing. The CGC contributes to the marketing advantage by the programs and services we provide to producers and clients in the industry.

Grain markets are changing. Processing technology is becoming more advanced, and end users are gaining a more sophisticated understanding of all aspects of grain quality. We believe that the quality advantage is more important than ever. The work the CGC helps move Canadian grain into markets around the world.

Our plans for 1999-2000 address our continued commitment to partnering with producers and the industry in positioning Canadian grain as the grain of choice.

Complete program review process

In January 1999, we proposed changes in the way grain quality assurance services are delivered and how the CGC is to be funded in the future.

Most of the CGC's revenues come from fees charged for the inspection and weighing of grain as it is loaded onto vessels for export. These fees not only pay for these direct services but also fund other services that support the quality assurance system. These services include standard setting, research into end-use quality, entomology services, and cargo monitoring.

Exports through the terminals are declining because of the end of the Crow Benefit, the increase in grain exports to the United States, more value-added processing on the Prairies, and a trend toward shipping low-volume, high value grains.

In 1998-99, terminal export volumes declined by 31 percent, and for the foreseeable future, terminal export volumes are expected to be 20 percent lower than they were in 1995.

This decline is the major factor underlying the CGC's financial situation. We incurred a deficit of $11.1 million in 1998-99, and a similar deficit is expected in 1999-2000.

The CGC must be equipped with the resources, technology and expertise to respond to changing grain markets, customer requirements and end-use technology. Our recommendations addressed three key objectives: to be financially stable, to be more responsive to our clients, and to be more adaptable.

To meet the needs of our clients and to ensure a self-sufficient CGC, we proposed significant changes in the quality assurance system and in the CGC. We are working with the Minister of Agriculture and Agri-Food Canada and officials of other federal departments to work out the details of our plan. I anticipate that we will be able to make an announcement in March 2000.

Meet customers' needs

Every year, the CGC makes contact with buyers, marketers and processors from around the world. Our researchers visit processors and see their operations first hand. They talk to them about their quality needs and give them advice on using Canadian grain. Every fall, buyers and importers visit us to find out about the quality of the new crop. As quickly as our staff can produce the data, our web site posts updates on its quality.

With this in mind, grain grades must be built on qualities that customers want. The CGC establishes grades to reflect these quality characteristics in a measurable way. Grain standards define the limits within each grade.

When the requirements of end-users change or become more exacting, we adjust grain grades and standards. At the time of the release of this publication, tolerances for fusarium damage have been tightened in Canada Western Red Spring (CWRS) and Canada Western Extra Strong (CWES) wheat and have been added to grade tables for rye. Midge damage tolerances have been tightened in Nos. 2 and 3 CWRS and Nos. 1

and 2 CWES. At previous tolerances, fusarium and midge damage were found to weaken dough properties, impairing the bread making quality of the wheat.

We made the method for assessing ergot levels at the primary elevator more accurate and objective. Previously, primary elevator managers assessed ergot levels by counting the number of kernel-sized pieces per 500-gram grain sample. Recently, we switched to a method based on the weight of ergot in a sample. This method has been used in terminal elevators for many years.

We make these changes in partnership with the grain industry. The Western and Eastern standards committees meet twice a year to recommend specifications for grades of grain. Members of the committees include representatives of producer groups, exporters and processors, the CGC, marketers, and Agriculture and Agri-Food Canada.

In 1999-2000, we will continue to examine our system of grain grades and standards. During program review, we recommended moving to a single standard. In November 1999, the Western Standards Committee agreed to consider this question at its meeting in April 2000. We will do additional research and give the committee the information it needs to make an informed decision.

Address challenges regarding genetically modified grains

Since 1988, there have been over 4,000 field trials of genetically engineered plants in Canada. Health Canada has given food safety approval for 36 plants with novel traits. This is a big issue for the grain industry.

The CGC does not regard genetically modified grains as good or bad, healthy or hazardous. It's not within our role to determine their safety or to make marketing decisions. However, we are responsible for maintaining the integrity of Canada's quality assurance system. Therefore, as genetically modified grains enter the market, we plan to

- Evaluate the end-use quality of genetically modified grains and make recommendations to ensure they conform to established quality standards
- Develop and apply methods for the identification and testing for genetically modified grains as needed by industry
- Provide quality assurance through monitoring programs
- Provide certification as required within the limits of technology
- Support the development of IP systems within the Canadian grain industry
- Provide services for genetically modified grains as with non-genetically modified grains

Promote research in rapid instrumental objective testing

In 1998-99, we sought support for research in the area of rapid instrumental objective testing (RIOT).

RIOT research will provide new and needed methods in our grain quality assurance system. It will make technology possible for identifying new indistinguishable varieties and genetically modified grains, evaluating end-use processing quality, and assuring grain safety-rapidly, accurately, and at a reasonable cost.

Support from industry and collaboration between organizations is essential. This year, we approached government and the industry for financial support and sought new partner organizations. At the time of the release of this annual report, we are working with Agriculture and Agri-Food Canada to finalize funding arrangements.

Research special crops

By March 2000, we will have a special crops research program in place and hire a research scientist for the program. We are also working on a program to develop internationally recognized methods for the evaluation of pulse quality. It will be carried out in collaboration with Food Science Australia as well as with researchers in Canada. We plan to develop a database on the composition and nutritional quality of Canadian pulses. We will continue to evaluate the quality of Canadian pulses, concentrating on field peas and lentils.

Give binding decisions on protein measurements

Over the years, producers have raised the issue of protein measurement. It is our intention to provide, by August 1, 2000, a protein arbitration service that would give binding decisions on protein according to the Canada Grain Act provision, subject to inspector's grade and dockage.

Review maximum shrinkage allowances

Shrinkage is the loss in weight of grain that occurs as grain is handled or treated. Weight losses occur when dust and grain are left behind in equipment and bins or leak from railcars, and when moisture evaporates as grain dries.

Because shrinkage is an inevitable consequence of handling grain, the federal government has regulations that establish maximum shrinkage allowances, limiting the amount that elevators can deduct for shrinkage when they buy grain.

The CGC intends to review maximum shrinkage allowances in 2000-2001 to determine if they should be adjusted or eliminated.

Reach more clients

We are making our services and expertise more accessible to our clients by working in partnership with other organizations. In September 1999, the CGC and AGRICORP, a crown corporation in Ontario, joined forces to provide Ontario farmers and grain companies with official CGC grain sampling services.

The agreement makes it possible for many more farmers and companies to take advantage of CGC services. Previously, our quality assurance services were only available to farmers and grain companies located close to our Chatham office. It was too expensive for us to do sampling in other areas.

Industry demand for consistent and accurate analytical testing services is on the increase. Because of this demand, we plan to make routine analytical tests easy to purchase from our regional offices and service centres.

Finally, I would like to pay tribute to Errol Lewis, assistant commissioner in Manitoba, who passed away on October 28, 1998. Errol joined the CGC in January 1996 after a distinguished career as an agricultural economist. He took a great interest in producers' concerns and worked closely with his counterparts, Donna Welke and Hartmann Nagel, in Saskatchewan and Alberta. He is remembered for his dedication to the position.

I am proud of the achievements of the CGC during 1998-99. Having met with many buyers and processors of Canadian grain, I know that the CGC is held in high regard domestically and internationally. Our staff, directors and assistant commissioners have built this reputation.

At the time of releasing this annual report, we are pursuing new projects and activities. With my colleagues, Douglas Stow, Albert Schatzke, and Dennis Kennedy, I look forward to the many opportunities in serving producers and clients in the industry.

Barry Senft

Message from the Chief Operating Officer

For over 80 years, the CGC has represented excellence in grain quality assurance. As a partner with grain producers and the Canadian grain industry, we have set grain standards, analyzed and certified Canadian grain, led in grain quality research and technology, and ensured fair and open grain transactions.

This vision of excellence gives grain producers and the industry an advantage in markets at home and internationally. Our activities in 1998-99 demonstrated the CGC's commitment to realizing this vision.

Program review

In 1998-99, we sought the views of our clients on CGC fees and services and on our regulatory responsibilities and, from those views, developed recommendations for change. Our clients across the country and CGC staff in all regions gave their full commitment to this process. This involved consultations with clients in the fall of 1998 and the publication of a document containing our recommendations in January 1999.

In 1998-99, about 82 percent of our revenue came from our services. As Barry explains in his address, with no changes to our funding structure, we will continue to incur increasing annual deficits.

Solutions to deficits are usually found in some combination of reducing costs and increasing revenues. In recent years, the CGC has performed well in the cost reduction area. Our review of programs and services was preceded by a reduction in expenditures and the elimination of 50 positions in 1998.

The recommendations in program review covered:

- Reforms to our funding structure and how our services are paid for
- Operational changes to make the CGC more efficient and cost effective
- Changes that update regulations and introduce more objectivity into the application of grain standards

So far, we have implemented some recommendations affecting operations and changes regarding internal services. Thanks to the efforts of CGC staff and our producer and industry clients, the review resulted in a comprehensive analysis of our programs and services and the changes needed to make the CGC sustainable.

Service to clients

This year, we increased our efforts to make our services more accessible and affordable to grain producers and the industry and to communicate with our clients in a variety of ways.

In February, we opened the Brandon Service Centre, our ninth service centre on the Prairies.

As part of our market support work, we hosted international and domestic visitors at our head office in Winnipeg and at our regional offices. In Winnipeg, we received 147 visitors participating in 41 international tour groups, representing 14 different countries. The Pacific Region hosted 60 groups, the majority from countries in South America and the Pacific Rim. Thirty-seven people visited the Bayport Region. At head office, we hosted 247 producers this year. Producer groups came to learn more about the grain industry, and some producers dropped in for a visit to get a behind-the-scenes look at the CGC.

In 1997, we set up a 1-800 number for producers and industry clients. In the first year of its operation, we received 499 calls. This year, we received 730 calls.

Our web site is an indispensable information source for CGC clients. In 1998-99, there were approximately 2 814 800 hits on our web site and 55 500 visits by external users. The number of visits is a significant representation of how much users go to our site and seek information from the CGC. The number of hits reflects the enormous increase in Internet use over the last year.

Face-to-face contact with producers on their home turf hasn't been replaced by the Web. We went on the road and met with farmers at eight agricultural exhibitions on the Prairies to hear about their issues and answer their questions on grain standards and CGC regulations and services. Through our Education in Agriculture display and workshops, we reached urban residents. Created by employees and featuring hands-on activities, Education in Agriculture proved a hit with young and old participants.

Innovation in grain quality research

This year, we developed methods for evaluating quality of hard white spring wheat and lines of extra strong durum wheat. While it may be a few years before hard white spring wheat is registered and enters the handling system, these methods will ensure that the quality of whatever varieties are registered fits market needs.

We made inroads in one area of rapid visual assessment. We developed prototype machine vision systems that will be used to determine colour in lentils and hard vitreous kernel scores in durum wheat. The technology will supplement the visual inspection of these crops. I anticipate that in early 2000 we will launch this technology.

We also made steps to provide a service for testing for genetically modified soybeans. The service is up and running in the Bayport Region where we certify the presence or absence of Roundup Ready soybean varieties in soybean samples for export.

New grade standards

Official grade specifications for Special Select and Select malting barley were changed to more closely reflect the quality factors demanded by selectors and customers. Phased in from August 1998 to July 2000, the changes mean tighter specifications for malting barley. They bring official quality standards for malting barley in line with actual market practice.

Policies and legislation to answer changing industry needs

In January, we released a discussion paper on identity-preserved systems in the grain industry. The paper presented a framework for IP systems and the risks associated with such systems. Prepared with the help of a committee of farmers, seed growers, plant breeders, grain handlers and marketers, the paper initiated discussion on how IP systems could be set up. Comments we received from the industry will contribute to the development of guidelines.

During the Grain Handling and Transportation Review, we provided information to Justice Willard Estey on the CGC's role in the grain transportation and handling industry, particularly our responsibilities regarding producer cars.

We implemented the Canadian Wheat Access Facilitation Program. The program gives wheat producers in the United States the opportunity to sell their wheat directly to country elevators in Canada for resale or transhipment. The program ensures that Canadian wheat classes are not mixed with US wheat, the quality of Canadian wheat is protected, and shipments from the US meet phytosanitary requirements.

In June, Bill C-26, an Act to establish a separate licensing and security system for special crops received royal assent. Implementation will proceed once draft regulations have been approved by Governor In Council.

Challenges for the organization

In October 1998, we compensated those producers who were owed money by Palliser Grain Co. Ltd. (Palliser) after it went into receivership earlier that year. Producers who received compensation were either eligible for compensation from security posted with the CGC or had a valid priority claim under the Bankruptcy and Insolvency Act.

We were able to continue serving western producers and customers of Canadian grain during a rotating strike by CGC grain weighers in early 1999.

Achievements of CGC staff

The barley team of Grain Research Laboratory (GRL) organised the 1999 Canadian Barley Symposium. The symposium was supported by many sectors of the grain industry, including the CGC and was attended by researchers, producers and end-use customers. The goal of the symposium was to maintain the industry's reputation as a leader in high quality food, feed and malting barley. CGC staff were represented in discussions on developing solutions to fusarium, looking at how biotechnology will change the industry, and future uses of barley.

CGC staff played a main role in an episode of CBC Television's Great Canadian Food Show. The program featured the great foods made from Canadian wheat at home and internationally. Staff participated in a tour of our bread wheat and baking labs and in a festive dinner of pasta and bread. To the credit of both the show's producers and host and to our staff, the program showed first-hand how wheat quality testing keeps Canadian wheat the preferred choice of many world buyers.

Retirements and appointments

Two directors are now enjoying retirement following their years of service at the CGC and in the Public Service.

Keith Tipples, director of the GRL, retired in October 1998. Keith began working at the CGC in 1962 and served as director for 19 years. As of 1995, Keith had traveled to over 40 countries representing the CGC at scientific meetings, on market support missions and on international standards committees. He authored and co-authored over 70 research papers in scientific journals and wrote and edited numerous books and chapters on cereal chemistry, baking and rheology. Numerous organizations have recognized him during his career for his contribution to the understanding of wheat quality.

As director and researcher, Keith credited the many successes of the GRL to teamwork and the expertise of his research staff. He served the CGC and the industry with energy, diligence and commitment to research.

Elizabeth Larmond, director of Industry Services since 1993, retired in January 1999. Elizabeth brought a wealth of experience to the CGC and was an integral part of the management team that brought into focus service to clients and partnership with the industry. With her regard for people, she led Industry Services through its most critical formative years and through the grain industry's most rapidly changing era.

In the field of food research, Elizabeth has been a pioneer in the area of sensory evaluation. Her work is well recognized and widely referenced. An active member in several professional societies, she has been honoured by her professional colleagues and her country with a number of major awards.

Following Elizabeth's retirement, Marilyn Kapitany was appointed director, Industry Services. Marilyn has been with the CGC since 1985 and served in several positions, most recently as director, Corporate Services.

Régis Gosselin was appointed director, Corporate Services in January 1999. Régis has been with the CGC for over 20 years serving as manager of Licensing, corporate secretary, and in several other positions. Most recently, he coordinated the CGC's program review, including facilitating its governance review.

Employee relations

In 1998-99, the CGC's Employment Equity Committee became a truly national committee with members from all regions. The committee was formed to promote the values and mandate of the Canada Employment Equity Act and the CGC's employment equity plan. CGC employees are learning about what employment equity is, how it can affect them in a positive way, and why it is necessary. The CGC's goal is shared by many organizations: a workplace that reflects the population where we work and live and accepts the differences within that population.

Regular meetings of the national Union-Management Committee were held to share information and were essential in seeking cooperative solutions.

This year, we improved our safety program by reconstructing a loading dock at head office and developing a program for entomology staff working in confined spaces. Safety policies were made available to all staff. Incident and near-miss reporting and investigation were implemented and are being continually promoted to prevent accidents.

The CGC began the move to a new classification system for all positions within the organization. The Universal Classification Standard will leave behind the need to use 72 old classification standards now used to classify work and will move to the use of one new standard which measures all work. The new standard is easier to apply, more gender neutral and is designed based on human rights legislation. It will be applied to all employees of the Public Service. As of December 31, 1999, all CGC jobs will be written and evaluated under the standard.

"We support what the CGC does," was the message I heard many times during program review. In 1998-99, we found ways to better serve our producer and industry clients. We faced difficult financial issues. We implemented changes and developed a plan for a reliable and relevant quality assurance system of the 21st century. We examined ways to position the CGC to meet the challenges ahead.

I am pleased to present the CGC's 1998-99 annual report. Thanks to the service and commitment of our employees and to the directors, the CGC met its commitment to excellence in grain quality assurance. I have confidence that next year we will do the same.

Dennis Kennedy

Achievements

Affirm core activities and services

Grain quality standards

Plans	Achievements
Collaborate with Agriculture and Agri-Food Canada scientists on improving testing procedures and developing new tests for evaluating new varieties of Canada Western Red Spring (CWRS), Canada Western Amber Durum (CWAD), Canada Western Extra Strong (CWES) and Canada Prairie Spring White (CPSW) wheat. This will help ensure that the quality of varieties registered for these classes fits new market requirements.	Developed a procedure to assess differences in the gluten strength of plant breeders' lines developed for CWES classes Developed methods for evaluating quality of new hard white spring wheats Developed methods for evaluating new CPS lines for use in udong noodles Developed and applied methods for evaluating plant breeders' lines for extra strong durum wheat using gluten index and alveograph techniques
Implement a national inspection monitoring system to ensure ongoing consistency from one region to another throughout the crop year, for full implementation later.	Initiated steps to hire a supervisor
Enhance the scientific basis of the grain inspection system	Studied the use of near-infrared reflectance and transmittance for predicting sprout damage and falling number Evaluated the effect of midge and fusarium damage on the milling performance and bread-making quality of CWRS and CWES wheat. This evaluation was used to support a recommendation for changes to the grade tolerances for No. 2 CWRS and No. 1 and 2 CWES. Studied the effects of germination loss in barley

Affirm core activities and services

Grain quality standards (cont.)

Plans	Achievements
Complete procedure documentation requirements of the International Organization for Standardization (ISO)for ISO registration for identified services	Project delayed because of budgetary constraints
Publish a new Grain Grading Guide	Revised and published the official Grain Grading Guide, August 1, 1998

Services in grain quality and quantity assurance

Plans	Achievements
Open a new service center in Brandon, Manitoba	Officially opened the Brandon Service Centre, February 25, 1999
Introduce a national dispute resolution service for weighing provision	This service is provided to deal with weight-related concerns on inward cars.
Evaluate the practicality of using a hardness test to segregate white wheats at delivery to the primary elevator. If the test is practical, a pilot study will be set up to further examine the feasibility of a quality system for white wheats that does not rely on kernel visual distinguishability. There are strong indications that there is market demand for a hard white spring wheat with the same quality attributes as CWRS. It is difficult to develop a hard white wheat that is visually distinguishable from the other white wheat classes.	It was found that a near-infrared hardness test effectively discriminated hard white wheat, e.g., A.C. Vista, from soft white wheat. A pilot-scale test will be set up in 1999-2000.

Affirm core activities and services

Market support

Plans	Achievements
Improve ways of promoting the harvest survey so that we can determine crop quality as soon as possible and share this information with marketers	In promoting the harvest survey to producers, we announced the inclusion of a protein study in the wheat survey. The study was designed to measure if protein content changes over the year in farm-stored wheat. Of the 14 000 harvest survey envelopes sent to producers in 1998, 6 400, or 46 percent, were returned.
Increase our use of the CGC web site to disseminate timely crop quality information	All crop quality information is on the CGC web site. Information first appeared on the site September 10, 1998 and was continually updated until December 23, 1998 when the entire crop quality report was complete.
Develop, in conjunction with soybean shippers, a CGC monitoring and documentation system to strengthen buyers' confidence in Canada's ability to provide shipments of soybeans that are not classified as genetically enhanced organisms	Evaluated a rapid test for genetically modified soybeans for use in the Bayport Region The Bayport Region is represented on a committee whose mandate is to design a baseline identity-preserved (IP) program. The Ontario industry will use the program to enhance its ability to identity-preserve products of specific quality, and at the same time, to satisfy customer concerns about genetically modified products. On behalf of local and foreign concerns, the Bayport Region will provide audit services to monitor a company's compliance with the company's quality assurance IP program.

Affirm core activities and services

Customer service

Plans	Achievements
Set, implement and publish service standards for all major services we provide to external clients	Set and implemented service standards for all major services. Because of other priorities, we have not yet published all of them nor monitored performance against standards.
Distribute our publications through the CGC web site and provide online searches of our library holdings	Increased the number of publications available on the CGC web site. We are evaluating new software to make our library catalogue available online.
Continue to meet with terminal and transfer elevator managers and operating staff to identify changes in operating procedures and to discuss operational concerns	Prepared the implementation of the Grain Inventory Accounting Service in the Eastern Region
Develop and incorporate computer software in client invoice documentation	In progress

Affirm core activities and services

Communications

Plans	Achievements
Maintain a complaints mechanism to enhance our service to producers, licensees, and government departments and agencies	Continued operating a toll-free information line for clients making a complaint, looking for information, or needing a service
Improve ways of providing and disseminating meaningful and timely information on the quality and safety of Canadian grain	Published all crop quality information on the CGC web site instead of publishing and distributing it in print form
Continue to collect and publish elevator tariffs	Elevator tariffs are now published on the CGC web site. Users must pay a fee to access them. Paper copies are also available for a fee.

Affirm core activities and services

Program management

Plans	Achievements
Conduct a review of the CGC's • External programs and services • Internal programs and services • Governance	Initiated a comprehensive review of CGC programs and services and the CGC's governance structure. • After an in-depth review of programs and services which involved consultations with clients, the CGC proposed major changes in how our services are delivered to producers and other members of the grain industry and how the CGC is to be funded in the future. The report was submitted to the Minister of Agriculture and Agri-Food Canada for consideration. • All fees were reviewed and fee principles were published to obtain client feedback. • The CGC reviewed all services provided internally and developed plans for streamlining and reorganization which would take place in 1999-2000. • An independent review team commissioned by the CGC recommended to the Minister that the governance structure of the CGC be changed. The report was submitted to the Minister for consideration.
The GRL will establish a working group to develop protocols for evaluating research programs and to establish a written process for deciding on the allocation of resources for new and continuing activities.	Developed a system for setting priorities. The system incorporates recommendations of the review of CGC programs and services.

Achievements

Be a partner in industry change

Grain quality and quantity assurance services

Plans	Achievements
Spearhead a framework for identity-preserved (IP) systems. In consultation with the industry, we will identify requirements for the industry to follow.	Issued a discussion paper on IP systems in the Canadian grain industry and the measures that should be taken to handle grain varieties that are not visually distinguishable from one another. We received feedback from the industry that will form the basis for future guidelines.
In cooperation with the Canadian Wheat Board (CWB), coordinate a trial shipment of Canadian wheat loaded in Canada for transshipment through the United States for eventual export out of a port on the Gulf of Mexico	Coordinated a trial shipment beginning in March 1998 and completed it in April 1998. A shipment of grain was transported via rail from Manitoba Pool elevators to St. Louis, Missouri where the rail cars were unloaded onto barges on the Mississippi River. Barges carried the grain to New Orleans, Louisiana. Two vessels were loaded in New Orleans.
Adopt measures to advance freer North American trade of grain, including a policy to facilitate the handling of U.S. wheat at primary elevators, while protecting the quality of Canadian wheat	Implemented the Wheat Access Facilitation Program to advance freer North American trade of grain while protecting the quality of Canadian wheat.
Work with primary elevator companies when they plan and design high throughput elevators so that inspection facilities and sampling systems are suitable for the CGC to provide inspection services on site	We currently provide advice on request on both weighing and sampling systems and are considering direct involvement in the installation of all new and updated systems.

Be a partner in industry change

Grain quality and quantity assurance services (cont.)

Plans	Achievements
Study the feasibility of calibrating near-infrared equipment used in primary elevators and of monitoring its accuracy, or of providing a dispute settling mechanism by allowing farmers and elevator managers to submit samples "subject to inspector's protein content."	We determined that • The cost of monitoring company protein testers would be too high. • It is feasible to provide a dispute settling mechanism. • We should provide the mechanism under Canada Grain Act provisions regarding "subject to inspector's grade and dockage." • The most effective way to include protein under this provision is to make protein a grading factor. The CWB has agreed with this approach. We will present it to the meeting of the Western Standards Committee in November 1999 for implementation August 1, 2000.
Work with the industry and the CWB to develop a plan for an alternative system for winter wheat, involving contract delivery, affidavits and IP handling. Winter wheat growers have suggested removing requirements for kernel visual distinguishability and some quality parameters from the registration process for winter wheat so that breeders can develop higher yielding varieties or varieties with increased winter hardiness.	Met with plant breeders and organizations representing winter wheat growers. There is no consensus at this point, and therefore no progress has been made.

Be a partner in industry change

Legislation and regulations

Plans	Achievements
Commence a comprehensive review of the Canada Grain Act. We will consult with grain producers and the industry.	Delayed until a later date
By August 1, 1999, implement amendments to the Canada Grain Act and Canada Grain Regulations to establish a separate licensing and security system for special crops.	On June 18, 1998, Bill C-26, an Act to Amend the Canada Grain Act and the Agriculture and Agri-Food Administrative Monetary Penalties Act and to Repeal the Grain Futures Act received royal assent. Implementation will proceed once draft regulations have been approved by Governor In Council.
Transfer the CGC's supervisory authority over the Winnipeg Commodity Exchange to the Manitoba Securities Commission (MSC).	On June 18, 1998, Bill C-26, an Act to Amend the Canada Grain Act and the Agriculture and Agri-Food Administrative Monetary Penalties Act and to Repeal the Grain Futures Act received royal assent. The transfer of jurisdiction will take place when the MSC has completed its preparations, probably in 1999–2000.
Participate in the Grain Handling and Transportation Review by providing an overview of the interaction between the quality assurance system and the transportation system	Submitted a report to the Grain Handling and Transportation Review

Be a partner in industry change

Grain research and technology

Plans	Achievements
Seek increased support for programs aimed at developing and applying rapid instrumental objective testing (RIOT) technology	We sought support for funding from government and the industry for RIOT initiatives. We are working with Agriculture and Agri-Food Canada to finalize funding arrangements.
Collaborate with other organizations on research into the development of RIOT	We kept in contact with researchers outside the CGC who have expressed interest in collaborating on RIOT projects. We sought new partner organizations.
Collaborate with Industry Services in transferring RIOT and other technology to Industry Services and into the grain handling system	Developed prototype machine vision systems that will be used to determine lentil colour and hard vitreous kernel scores in durum wheat. The technology will supplement the visual inspection of grains.
Establish and staff a formal program which • Determines the most appropriate quality evaluation methods for GRL programs • Records and optimizes the accuracy and precision of GRL methods • Carries out methods evaluation • Works with International Organization for Standardization or other standards writing organizations to improve existing methods where necessary	Plans for the introduction of a formal program of Good Laboratory Practices (GLP) were delayed because of budgetary constraints.

Be a partner in industry change

Grain research and technology (cont.)

Plans	Achievements
Introduce a formal program of GLP throughout the GRL.	Delayed because of budgetary constraints
Provide appropriate support staff for a formal program of accreditation for appropriate areas of the GRL	Delayed because of budgetary constraints
Collaborate with Industry Services in the introduction of joint or collaborative GLP and certification programs	Delayed because of budgetary constraints
Provide support to programs and projects dealing with new crops, IP systems, and specification-selling	Developed a rapid test for lentil grading based on image analysis Continued supporting the development of new varieties of grains and oilseeds Made a commitment to establishing pulse research Carried out harvest surveys on peas, lentils and mustard
Continue our research into new grain processing methods and their implications for grain quality	Studied use of barley and wheat in noodle products A collaborative project involving the All Japan Barley Processing Association, the University of Saskatchewan and the CWB continued to study uses of barley in specialty food products
Develop a strategy for genetically enhanced organisms	The general strategy involves DNA sequence-based analysis for variety identification and developing protocols for rapid analysis for the presence of genetically modified grains.

Be a partner in industry change

Information technology

Plans	Achievements
Ensure all systems, hardware and software are Year 2000 compliant by April 1999	Hardware and software will be Year 2000 ready in September.
Continue to develop software for use in vessel loading	Piloted the software in March 1998. Its development is continuing.
Market information technology services within the industry, including providing data for a fee, and participate with the industry in new initiatives aimed at improving information flow	Signed several contracts for providing information technology services on a cost-recovery basis

Alternative service delivery

Plans	Achievements
Negotiate a new memorandum of understanding with Industry Canada to increase flexibility and scope of responsibility for CGC weighing system inspectors	Put on hold at the request of Industry Canada
Complete the Bayport pilot project on providing certification electronically. If the project is successful, offer it to other interested clients in the Bayport Region.	Completed the pilot project involving five volunteer companies. After making a few enhancements to the program, the Bayport Region offered it to more clients. A majority of clients in the guaranteed program now receive certification electronically.
Utilize Canadian Food Inspection Agency (CFIA) personnel in the field in the Bayport Region to officially sample container shipments of export grain	The Bayport Region used a CFIA employee on several occasions to draw official samples on its behalf. The process worked well for the region and for the customer and is continuing.

Table of Contents

Plans for April 1, 1999 to March 31, 2000

The CGC will focus its activities on the following key results:

1. A grading and inspection system that addresses the changing needs of grain markets
2. Fair, open grain transactions
3. The protection of producers' rights
4. Sound agency management

Table of Contents

Corporate information 1998-99

Executive

Chief Commissioner ---------- Barry Senft
Assistant Chief Commissioner ---------- Douglas Stow
Commissioner ---------- Albert Schatzke
Chief Operating Officer ---------- Dennis Kennedy
Director, Corporate Services ---------- Régis Gosselin
Director, Grain Research Laboratory (GRL) ------ Bill Scowcroft
Director, Industry Services ---------- Marilyn Kapitany

Assistant Commissioners

Alberta ---------- Hartmann Nagel
Central Canada ---------- vacant
Manitoba ---------- vacant
Saskatchewan ---------- Donna Welke

Table of Contents

Canadian Grain Commission Revolving Fund

Financial Statements
March 31, 1999

June 11, 1999

Auditors' Report

To the Chief Commissioner and Commissioners of the Canadian Grain Commission Revolving Fund

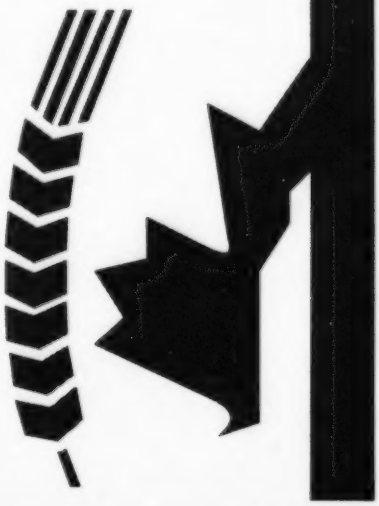
We have audited the balance sheet of the **Canadian Grain Commission Revolving Fund** as at March 31, 1999 and the statements of operations, accumulated surplus (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Revolving Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with the accounting principles for Revolving Funds of the Government of Canada as described in Note 2.

Price Waterhouse Coopers LLP

Chartered Accountants



Quality Service
Innovation

Canadian Grain Commission Revolving Fund

Balance Sheet
As at March 31, 1999

The accompanying notes form an integral part of these financial statements

(in thousands of dollars)

	1999 $	1998 $
Assets		
Current		
Accounts receivable		
Government of Canada	1 855	772
Outside parties	3 198	4 548
Prepaid expenses	40	86
Accountable advances to employees	10	45
	5 103	5 451
Capital assets, cost (note 3)	9 578	8 948
Less: Accumulated amortization	6 941	5 491
	2 637	3 457
	7 740	8 908
Liabilities		
Current		
Accounts payable and accrued liabilities		
Government of Canada	7 751	514
Outside parties	407	620
Salaries payable	1 539	1 912
Vacation payable	1 145	1 255
Current portion of the allowance for employee termination benefits	–	837
Deferred revenue	629	113
	11 471	5 251
Long-term		
Allowance for employee termination benefits	1 667	1 257
Equity of Canada		
Contributed capital	4 941	4 941
Accumulated net charge against the Fund's authority	(1 717)	(5 068)
Accumulated surplus (deficit)	(8 622)	2 527
	(5 398)	2 400
	7 740	8 908

Quality Service Innovation

Canadian Grain Commission Revolving Fund

Statement of Operations
For the year ended March 31, 1999

The accompanying notes form an integral part of these financial statements

(in thousands of dollars)

	1999 $	1998 $
Revenue		
Service fees	34 968	50 121
Parliamentary appropriation (note 4)	6 280	5 984
Japanese certification	908	946
License fees	220	226
Special appropriation	117	–
	42 493	57 277
Expenses		
Salaries and employee benefits	43 054	44 225
Rent	3 314	3 257
Repairs, supplies and miscellaneous	1 607	2 135
Amortization	1 496	1 712
Travel and removal	1 332	1 608
Communications	1 019	972
Professional and special services	1 123	1 053
Employee termination benefits	414	479
Postage and freight	285	329
Loss (gain) on disposal of capital assets	(2)	4
	53 642	55 774
Net income (loss) for the year	(11 149)	1 503

Canadian Grain Commission Revolving Fund

Statement of Accumulated Surplus (Deficit)
For the year ended March 31, 1999

The accompanying notes form an integral part of these financial statements

(in thousands of dollars)

	1999 $	1998 $
Accumulated surplus – Beginning of year	2 527	1 024
Net income (loss) for the year	(11 149)	1 503
Accumulated surplus (deficit) – End of year	(8 622)	2 527

Quality Service
Innovation

Canadian Grain Commission Revolving Fund

Statement of Cash Flows
For the year ended March 31, 1999

The accompanying notes form an integral part of these financial statements

(in thousands of dollars)

	1999 $	1998 $
Financial resources provided by (used in)		
Operating activities		
Net income (loss) for the year	(11 149)	1 503
Non-cash items		
Amortization	1 496	1 712
Provision for employee termination benefits	414	479
Loss (gain) on disposal of capital assets	(2)	4
	(9 241)	3 698
Change in other assets and liabilities	6 564	232
Net financial resources provided by operating activities	(2 677)	3 930
Investing activities		
Capital assets purchased	(680)	(1 871)
Proceeds on disposal of capital assets	6	–
Net financial resources used in investing activities	(674)	(1 871)
Net financial resources used and change in the accumulated net charge against the Fund's authority during the year	(3 351)	2 059
Accumulated net charge against the Fund's authority – Beginning of year	5 068	3 009
Accumulated net charge against the Fund's authority – End of year	1 717	5 068

Canadian Grain Commission Revolving Fund

Notes to Financial Statements
March 31, 1999

1 Purpose and authority

The Canadian Grain Commission was established under the Canada Grain Act in 1912. It became a Special Operating Agency on April 1, 1992. The objectives of the Canadian Grain Commission are to establish and maintain standards of quality for Canadian grain, regulate grain handling in Canada and ensure a dependable commodity for domestic and export markets in the interests of grain producers.

Effective April 1, 1995, the Treasury Board approved the establishment of the Canadian Grain Commission Revolving Fund. The Fund has a continuing non-lapsing authority for up to $12 million as a drawdown from the Consolidated Revenue Fund for the provision of regulatory grain services including the market support activity of the Grain Research Laboratory. In addition, the Treasury Board agreed by way of Supplementary Estimates to have the expenditures related to Appointments by the Governor in Council of Assistant Commissioners and the Supervisor of the Winnipeg Commodity Exchange and one-half of the expenditures of the Grain Research Laboratory covered by Parliament appropriation. The maximum amount of the Parliamentary appropriation is $6.28 million.

The Canadian Grain Commission exercises certain responsibilities under the following acts and associated regulations in addition to the Canada Grain Act:

Financial Administration Act
Grain Futures Act

On January 21, 1999, an order in council was passed which approved changing the Canadian Grain Commission status from a special operating agency to that of a separate Government department. This change was operationally effective April 1, 1999.

2 Accounting policies

The financial statements have been prepared in accordance with the reporting requirements for revolving funds established by the Receiver General. The significant accounting policies are as follows:

Revenue and expense recognition

Revenue is recognized in the accounting period in which it is earned through the provision of goods or services, or when an event giving rise to a claim has taken place. Unless otherwise disclosed, expenses are recorded in the period they are incurred.

Canadian Grain Commission Revolving Fund

Notes to Financial Statements
March 31, 1999

2 Accounting policies (continued)

Parliamentary appropriation

The Parliamentary appropriation received for the Appointments by the Governor in Council of Assistant Commissioners, the Supervisor of the Winnipeg Commodity Exchange and Crain Research Laboratory expenditures has been recorded as revenue of the Revolving Fund. Parliamentary appropriations relating to employee benefits earned prior to April 1, 1995 have been recorded as an account receivable from the Government of Canada.

Capital assets

Certain capital assets previously under the custodianship of the Department of Agriculture and Agri-Food Canada were assumed by the Revolving Fund on April 1, 1995. The assumed assets were considered to be contributed capital and recorded at the Crown's estimated net book value. Capital assets acquired subsequent to April 1, 1995 are recorded at cost. Capital assets acquired by the Grain Research Laboratory are recorded net of Parliamentary appropriation.

Proceeds from the disposal of contributed assets revert to the Consolidated Revenue Fund. Proceeds from the disposal of other capital assets are retained by the Revolving Fund.

Assets are amortized on a straight-line basis over their estimated useful lives, commencing in the month after acquisition, as follows:

Scientific equipment	5 years
Office equipment and furnishings	5 years
Operational equipment	10 years
Computer equipment and software	3 years
Leasehold improvements	5 years

Employee termination benefits

Termination benefits accrue to employees over their years of service with the Government of Canada as stipulated in their employment contracts. The Canadian Grain Commission provides for the severance entitlements earned by employees subsequent to March 31, 1995. No accrual has been made in these financial statements for severance entitlements earned by employees as at March 31, 1995. These benefits are estimated to be $6.3 million at March 31, 1999. They represent an obligation of the Canadian Grain Commission that will be funded by the Treasury Board.

Canadian Grain Commission Revolving Fund

Notes to Financial Statements
March 31, 1999

2 Accounting policies (continued)

Vacation pay

Vacation benefits earned are recorded in the Revolving Fund's accounts as they accrue.

Pension plan

Employees of the Canadian Grain Commission are covered by the Public Service Superannuation Act and the Supplementary Retirement Benefits Act. The Government of Canada's portion of the pension cost is included in the employee benefit charge assessed against the Revolving Fund. The actual payment of the pension is made from the Public Service Superannuation and Supplementary Retirement Benefits Accounts.

Interest on drawdown

Interest is charged to the Revolving Fund at a rate set by the Treasury Board. Interest charges are calculated monthly on the balance of the accumulated net charge against the Fund's authority. The Treasury Board does not pay interest when a surplus arises that results in no drawdown against the authority.

Canadian Grain Commission Revolving Fund

Notes to Financial Statements
March 31, 1999

(in thousands of dollars)

3 Capital assets and accumulated amortization

	Balance April 1, 1998 $	Acquisition $	Disposals $	Balance March 31, 1999 $
Capital assets, cost				
Scientific equipment	2 938	127	2	3 063
Office equipment	713	62	–	775
Operational equipment	280	52	–	332
Computer equipment	3 169	259	48	3 380
Leasehold improvements	1 848	180	–	2 028
	8 948	680	50	9 578

	Balance April 1, 1998 $	Amortization $	Decrease $	Balance March 31, 1999 $
Accumulated amortization				
Scientific equipment	1 739	456	1	2 194
Office equipment	436	130	–	566
Operational equipment	96	32	–	128
Computer equipment	2 256	571	45	2 782
Leasehold improvements	964	307	–	1 271
	5 491	1 496	46	6 941

Canadian Grain Commission Revolving Fund

Notes to Financial Statements
March 31, 1999

(in thousands of dollars)

4 Parliamentary appropriation

Grain Research Laboratory

One half of the costs incurred by the Canadian Grain Commission Revolving Fund for the Grain Research Laboratory were covered by Parliamentary appropriation. These amounts are included in the financial statements and are summarized as follows:

	1999 $	1998 $
Salaries and employee benefits	3 712	3 754
Rent	611	614
Repairs, supplies and miscellaneous	434	475
Capital assets	107	489
Professional and special services	77	118
Communications	65	75
Travel and removal	55	80
Postage and freight	27	29
Employee termination benefits	39	44
Total expenditures paid by Parliamentary appropriation	5 127	5 678
Less: Capital assets charged to the balance sheet	(107)	(489)
Grain Research Laboratory Parliamentary appropriation revenue	5 020	5 189
Appointments Parliamentary appropriation revenue	1 260	795
Total Parliamentary appropriation revenue	6 280	5 984

Canadian Grain Commission Revolving Fund

Notes to Financial Statements
March 31, 1999

(in thousands of dollars)

4 Parliamentary appropriation (continued)

Appointments

The costs associated with the appointments by the Governor in Council of the Assistant Commissioners and the Supervisor of the Winnipeg Commodity Exchange were covered by Parliamentary appropriation. These amounts are included in the financial statements and are summarized as follows:

	1999 $	1998 $
Salaries and employee benefits	929	528
Travel and removal	85	86
Professional and special services	53	65
Communications	70	49
Repairs, supplies and miscellaneous	47	28
Rent	58	27
Employee termination benefits	11	11
Postage and freight	7	1
Appointments Parliamentary appropriation revenue	1 260	795

5 Lease commitments

Lease commitments under operating leases for office accommodation have been primarily entered into with Public Works and Government Services Canada. Future minimum lease payments over the next five years are as follows:

	$
2000	2 827
2001	2 647
2002	2 655
2003	186
2004	131

Canadian Grain Commission Revolving Fund

Notes to Financial Statements
March 31, 1999

6 Contingency

Employees are permitted to accumulate unused sick leave. However, such leave entitlements do not vest and may only be used in the event of illness. The amount of accumulated sick leave entitlements that will become payable in future years cannot reasonably be determined. Accordingly, no amount has been accrued in these financial statements. Payments of sick leave benefits are included in current operations as incurred.

7 Insurance

In accordance with the Government's policy of self-insurance, the Canadian Grain Commission does not carry insurance on its property.

8 Income taxes

The Canadian Grain Commission is not subject to income taxes.

9 Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Canadian Grain Commission's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Canadian Grain Commission, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.